Child Care Financing Matrix

Compiled by Louise Stoney, Alliance for Early Childhood Finance and Karen Edwards, Policy Research Services

New Public Revenue	How it Works	Examples	Potential Uses	Dollars Generated
Local Property Taxes	Increase property taxes and earmark funds for child care	Seattle, WA, Families and Education Levy (the Levy's millage rate is .23 per $1,000).	Early childhood development, school-based services, student health services, children's out-of-school activities.	In Fiscal Year (FY) 1998-99, approximately $1.5 million of levy funds were spent on child care.
	Earmark a percentage of local property tax dollars for child care	San Francisco, CA, established a baseline of funding for children's services; set aside a percentage of property taxes for children's services.	Child care, health and social services, job-readiness, delinquency prevention, education, libraries, and recreation.	$50 million baseline $18.3 million set aside for children's services in FY1999-2000, $4.5 million of which was reserved for child care.
	Create a special taxing district to raise money for children's services (including child care)	Florida law allows counties to establish a children's services special taxing district. Six counties have taxing authority. Examples: Hillsborough County millage is .417 per $1,000 Palm Beach County millage is .4696 per $1,000.	Accreditation support; CDA training; support and training for family child care providers; child care subsidies.	Hillsborough: $10.3 million for children's services; $2.1million for child care. Palm Beach: $8 million for child care.
State and Local Sales Taxes	Dedicate a portion of local sales tax revenue to child care	Aspen, CO, dedicated .45 percent of the local sales tax to affordable housing and child care.	20% to child care trust fund (to generate interest); remainder to child care resource and referral services, grants to nonprofit centers, and child care tuition assistance for low-income working families.	Estimated child care funds are $1.75 million for State Fiscal Year (SFY) 2000. Trust fund now has principal balance of $2.75 million.
"Sin" Taxes	Charge tax on cigarettes and other tobacco products	California Proposition 10 levies 50 cents per pack; $1 per box cigars/tobacco. Funds go to Children and Families Trust Fund. Revenues are split: 20% to State commission; 80% to county commission.	State commission: media, education, technical assistance, training, accreditation, and research. Local commissions create plans for fund distribution (several have supported wage initiatives).	$723 million in FY1999-2000.

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"Sin" Taxes	Charge tax on beer	Arkansas established an excise tax of 3% on all retail receipts derived from the sale of beer.	20% of funds will be used for subsidized child care for low-income families; 80% will be used to support the Arkansas Better Chance program.	Tax took effect in SFY2001. Estimated annual revenues are $7 million to $10 million.
State Income Taxes: Tax Credits, Deductions and Exemptions	Provide credits (against taxes owed) or deductions (from income before taxes are computed)	Twenty-seven States have child care income tax provisions, usually linked to a Federal tax code credit, for work-related child care expenses. Nine are refundable (in other words, even individuals who owe no tax can receive funds). New York, Minnesota, Nebraska, Ohio, and Oregon have generous credits. Oregon also has a second "working family" credit that may be combined with the State and Federal Dependent Care Tax Credit (DCTC). Minnesota provides a credit for families who stay at home with an infant born in the tax year as well as a credit for family child care practitioners who care for their own children. Maine and Arkansas have higher credits for higher quality care. (For more information, see *Financing Child Care in the United States: An Expanded Catalog of Current Strategies, 2001 Edition*, p. 35).	Individual tax credits are for qualifying child care expenses.	Maximum State benefit per family currently ranges from $25 (LA) to $1,584 (NY, MN, NE, OH, and OR). In States where the benefit is linked to the Federal credit, these amounts will increase when new Federal changes take effect in 2003.
	Voluntary income tax "check-off"	Colorado has a voluntary income tax check-off for child care, which is managed by the Colorado Office of Resource and Referral Agencies.	Funds are used for professional development, training for early childhood care, and education.	Colorado check-off generates $250,000 to $500,000 annually.
	Federal dependent care assistance plans (DCAP) allow $5,000 set aside exempt from income or social security taxes	New York DCAP benefits lower-income families.	Allowable child care expenses.	The average New York participant saved $1,600 in FY96 taxes, and New York State saved approximately $862,000 in Federal FICA taxes.

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Corporate Income Taxes	Special tax credit for contributions to child care (for any taxpayer — individual or business)	Colorado Child Care Contributions Credit is designed to encourage taxpayers to make contributions to child care. Credits individual or business income tax rates at 50% of the value of cash contributions, up to a maximum of $100,000/year.	Establishing a child care facility; training child care providers; establishing a fund for making grants or loans to parents residing or implied in the zone; CCR&R.	Data on Statewide credit not available. Former credit, limited to enterprise zones, was claimed by 1,300 taxpayers and resulted in tax expenditures of $720,000 in 1998, reflecting contributions of at least $2.88 million.
	Corporate tax credits for on-site child care or employee child care benefits	Twenty-five States have corporate tax credits. Georgia is largest, with up to 75% of the cost of employee child care benefit and 95% of cost of on-site facility.	Helping employees pay for child care, resource and referral services, establishing or operating a child care facility for employees.	Georgia data not yet available. Participation — and revenue lost — in most States has been minimal.
	Corporate tax credits for investment in the child care industry (not limited to employees)	Oregon Pilot Corporate Child Care allows businesses to purchase tax credits at market value (i.e., a $1 tax credit may be purchased for 50-80 cents). Modeled on the Federal Low-Income Housing Tax Credit.	Funds generated from sale of tax credits will be used to provide operating assistance to child care programs. (New credit; implementation still in planning stage.)	Oregon has approved the sale of $1 million in tax credits for SFY2002. This will generate at least $1.5 million for child care (maybe more if sales are competitive).
Property Tax Abatements to Local Industry	Local property tax abatement includes child care provision	Austin, TX, views child care as an important part of its economic development strategy and includes a child care fund as part of many tax abatement agreements.	Samsung Semiconductor: 40% baseline tax abatement; 15% abatement if jobs filled with targeted workers; 20% taxes set aside to support job training, including cost of child care.	$1.5 million for job training, including child care costs.
State Education Funds	Impact fees anticipate the impact of private sector actions on services	Child Care "Exaction" Tax - Three California cities (San Francisco, Concord, and Santa Cruz) have established laws that require new real estate development projects to make space available for a child care center or pay an exaction tax to help fund child care facilities.	Santa Cruz uses these funds for a child care "loan" program. (Loans are often converted to grants.) Fees collected are held in a separate Child Care Trust Fund.	In 1999, the Santa Cruz program had $165,000 available.

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State Education Funds	Service fees generate funds from government transactions (e.g., marriage licenses)	Kentucky established a *voluntary* surcharge on motor vehicle registration or renewal to generate funds for child care.	Funds placed in a Child Care Assistance Account and used for any type of regulated child care.	The fund began in April of 1999 and collected $7,000 in donations that year.
	Enterprise fees generated from self-supporting enterprises, such as a State lottery, municipal golf course, or sports stadium	Missouri earmarked a portion of the Gaming Commission Fund (from riverboat gambling) for early care and education services.	Proceeds placed in Early Childhood Development, Education and Care Fund — primarily for quality improvement but also to support subsidies for low-income families.	$21 million in FY1999-2000.
		Georgia and Florida lotteries support prekindergarten.	Funds from Georgia Lottery for Education are used for pre-K, HOPE college scholarships, and technology in schools.	Georgia lottery appropriations for pre-K were $224 million in FY2000.
	Special allocation to support a state preschool/school-readiness program or to supplement the federal Head Start program	Thirty-nine States have a preschool or Head Start allocation, or both. (For more information, see *Financing Child Care in the United States: An Expanded Catalog of Current Strategies, 2001 Edition*, p. 81). New York, Georgia, and Oklahoma have "universal" pre-K initiatives.	Funds are typically used to support preschool programs for 4-year-olds and (sometimes) 3-year-olds. Most States allow programs to be operated by community-based programs in addition to public schools. Some States allow funds to be used broadly, for a range of community-based early care and education services and supports.	FY1998-99 allocations ranged from $230,000 in New Hampshire to $246 million in New Jersey.
	School districts are permitted to enroll four-year olds and claim state aid for them	Maine, Wisconsin, and West Virginia increase the general education budget to include 4-year-olds. Pennsylvania allows districts to enroll 4-year-olds, but does not increase State funds.	Funds are typically used to support public school preschool programs for 4-year-olds.	FY1998-99: Maine: $1.3 million Wisconsin: $19.8 million West Virginia: $6.2 million

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State Education Funds	Special allocation for school-age child care	Hawaii A+ Program provides after-school child care for all children (with employed parents) who attend public elementary schools. California After-School Learning and Safe Neighborhoods Partnerships serve students in 573 sites.	Funds support after-school child care programs in schools as well as in community-based programs. California program requires partnerships of schools, counties, and nonprofit organizations.	Hawaii: \$8.3 million in SFY 1998. California: \$50 million in State funds + \$50 million local match in SFY1999.
State Human Service Funds	Make child care assistance an entitlement	Rhode Island has established a child care entitlement for families with incomes at or below 250% of the Federal poverty level, which is about \$34,000 a year for a family of three.	Funds are allocated as portable subsidies, to be used to help families purchase child care.	\$42.4 million in SFY2000 (includes Federal and State TANF and CCDF funds as well as general revenue).
	Maximize use of Federal TANF funds for child care by transferring the maximum and also spending TANF funds directly for child care	In FY 2000, 44 states transferred, and 35 directly spent, TANF funds for child care. (See CLASP report titled *The Impact of TANF Funding on State Child Care Subsidy Programs* for full details.) TANF funds may be used for low-income families who are not currently in receipt of TANF cash benefits.	States have used TANF funds to increase the number of children served, expand income eligibility, lower copayments, increase reimbursement rates, expand supply of quality care, and increase collaboration with Head Start and pre-K programs.	FFY2000 direct and transfer: Wisconsin: \$154 million Oklahoma: \$51 million District of Columbia: \$31 million
	Allocate State general revenues, in addition to CCDF/TANF match or maintenance of effort	North Carolina - Smart Start, WAGE\$, TEACH Wisconsin - Quality Improvement grants, Early Childhood Excellence Initiative, REWARDS	North Carolina Smart Start funds support a range of services that are planned by local partnerships. WAGE\$ supplements wages of child care workforce. TEACH supports scholarships and stipends. Wisconsin Quality Improvement grants augment portable subsidies and parent fees to ensure that high-quality care is available and affordable. Early Childhood Excellence funds support model centers in low-income areas. REWARDS supplements wages of child care workforce.	North Carolina: \$220 million in SFY1998-99 (including WAGE\$ and TEACH) plus \$19 million private sector match. Wisconsin: \$17 million for QI and ECE grants in SFY1999-00. \$1million for first-year pilot of REWARDS.

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State Health Care Funds	Make subsidized health care available to child care staff	Rhode Island makes fully paid health care coverage available to certain center- and home-based child care providers.	The coverage is provided through Rite Care, the State's publicly funded health insurance program for the uninsured.	$900,000 in State general revenues in SFY2000 (Federal funds were also used to partially match State expenditure).
	Link public health staff to child care programs and providers	Pennsylvania Early Childhood Education Linkage System (ECELS) provides training, technical assistance, and support to child care providers.	Professional health consultation services, telephone help line, training, lending library, newsletter, database to track health records and link to licensing.	$700,000 in SFY 1999-00
	Earmark a portion of the tobacco settlement funds for child care	Kentucky passed legislation designating 25% of the State's tobacco settlement money for an early childhood initiative called KIDS NOW! Maine used a share of its settlement for an initiative called Start ME Right. Kansas allocated all of its settlement for children's services, and a significant portion was used to support child care.	Funds are used for a wide range of early care and education services, including additional child care subsidies, higher income eligibility ceilings and reimbursement rates for subsidized care, quality improvement grants, provider training, and wage initiatives.	Kentucky: $56 million (over two years) in SFY2000 Maine: $1.75 million in SFY2000
Higher Education Funds	Support campus-based child care	California, Florida, Illinois, Kansas, Michigan, New York, and Ohio make higher education funds available to support child care programs on or near college campuses.	These funds typically support facility development and improvement as well as subsidized child care for college students and staff.	In SFY1999-2000, New York allocated $7.31 million in State higher education funds. (Additional CCDF funds were also made available for low-income families.)
Crime Prevention and Criminal Justice Funds	Support child care centers in or near court buildings	New York State, the District of Columbia and several other cities provide funds for child care centers in court buildings.	These funds typically support facility development and improvement, subsidized child care, and other support services for children of litigants.	In SFY1999-00, the New York State Office of Court Administration allocated $975,000 for the program.
	Support Out-of School-Time programs and services to prevent juvenile crime	North Carolina Support our Schools (SOS) Initiative provides middle school youth with after-school programs, homework help, and enrichment activities.	The program includes academic/homework help and a variety of recreational and cultural activities.	$7.25 million of State general funds (which leveraged significant local funds) in SFY1999.

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Crime Prevention and Criminal Justice Funds	Allocate youth crime prevention funds for early childhood programs to reduce "risk factors" for later crime.	Colorado Youth Crime Prevention and Intervention (YCPI) program earmarks at least 20% of its funding for programs that serve children under age 9.	Services include efforts to strengthen bonds between parents and children, promote healthy belief systems, and improve family literacy and school success. Other examples are school-age child care, nurse home-visiting, and summer reading.	$8.37 million was appropriated for YCPI in SFY1999-2000 and at least $1.4 million was spent on early childhood initiatives.
Local Government	Local school district and the social service agency jointly fund early childhood centers.	New York City: Four early childhood care and education centers for children age 2 through second grade were jointly funded by the New York City Board of Education (BOE) and the City's Agency for Child Development (ACD).	The centers provide care and education for 1,019 children. Each class is staffed by a certified teacher.	The total cost was $62.5 million, jointly funded by the two agencies. BOE funds operating costs for k-2nd grade. ACD funds operating costs for children under age 5.
	County government and parent fees fund school-age child care programs.	Fairfax County, VA: school-age child care programs are housed in public schools. Capital funds are made available by the sale of general obligation bonds for school construction. Debt service is paid with parent fees and county general funds.	School-age child care is provided in 125 elementary schools and one middle school.	County SACC budget was approximately $20 million in FY2000, although nearly $15 million was recovered in parent fees.
	Local government help to fund child care for low- and moderate-income families	Montgomery County, MD: The Working Parents Assistance Program provides financial assistance to families who work at least 35 hours a week and earn less than $35,000 a year.	The fund supports portable subsidies for income-eligible families, and works in tandem with the privately funded Working Parents Trust Fund.	In SFY2000, the county allocated $3.5 million for the program. The Working Parents Trust Fund raised $200,000.
	Local government jointly funds child care services for families at all income levels	San Francisco CARES is a wage initiative designed to help recruit and retain qualified staff in early childhood programs without raising parent fees.	Stipends for staff who complete training and education and grants to programs to develop and implement a staff retention plan.	In FY2000, $1.5 million was allocated for the program.

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Employers	Employers help to fund child care for their own employees and/or support child care programs in their communities	Con Agra Refrigerated Foods provides one-time start up grants for capital costs and weekly subsidies for 155 hourly wage employees. (Most earn $6 - $7 per hour.) Uses payroll deduction (DCAP) to collect parents' share of costs.	Con Agra Head Start partnership runs full-time child care for children from infancy to school-age. Centers are open from 5:00 a.m. to midnight weekdays and some Saturdays.	In 1997, Con Agra spent $20,000 to $50,000 in one-time capital and $200,000 in annual subsidies for several child care partnerships in rural Arkansas.
		Bank of America funds DCAP with stipends (for moderate-income employees) of up to $152 per child/month in addition to regular salary.	Bank of America stipends pay for child care selected by the parent.	Bank of America invested $22 million in 1999.
		AT&T has a Family Care Development Fund that offers competitive grants to increase the capacity and improve the quality of child care.	Programs that enroll at least one AT&T family are eligible; larger grants are available to programs that serve a significant number of AT&T families. Additional "Target Cities" grants are available to enhance quality and capacity in selected AT&T communities.	The AT&T Fund has a four-year budget of $13.5 million.
Unions	Union collectively bargains with several employers and creates a fund to support child care for union members	The 1199/Employer Child Care Fund: this health and human service employees union raises funds through collective bargaining with 147 employers.	The 1199/Employer Child Care Fund supports many services, including on-site child care, contracts with child care centers and family child care homes, vouchers for up to $75/week for child care, and child care resource and referral.	In 1999, the 1199/Employer Child Care Fund raised and distributed $8.6 million.

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Community-Based Philanthropy	Foundations, private donors, local businesses and others make funds available to improve the quality of and/or redesign the early care and education system in a specific community or city *(Note: All of these initiatives have leveraged public funds; however, they were <u>initiated</u> by the private sector.)*	Pittsburgh, PA: The Allegheny County Early Childhood Initiative (ECI), spearheaded by the Heinz Endowments and the United Way, has raised funds and created a new system to support high-quality, center- and home-based early childhood education in targeted, low-income communities.	Allegheny ECI Funds can be used for achieving accreditation, building or renovating facilities, staff training and technical assistance, program evaluation and monitoring, and outreach and public education.	$36 million in grants and pledges was raised for Allegheny ECI as of October 1999.
		Southeastern PA: Child Care Matters combines direct assistance to improve quality in child care programs with systemic work to engage businesses, increase media attention, and leverage additional financing.	Child Care Matters supports subsidies to help families pay for child care, scholarships to help child care staff attain training and education, start-up funds and TA for new programs, a media campaign, and business engagement/education.	$17.85 million was raised to support Child Care Matters.
		The Greater Kansas City Early Education System: With support from private sector leaders, a five-year business plan to redesign the early care and education system has been developed and implementation is beginning.	The system will support grants for quality improvement (standards and accreditation), scholarships for professional education, wage supplements for workforce retention, and evaluation and assessment.	In 2001, the private sector invested approximately $8.3 million ($3.3 million in direct services, $3.4 million in quality and system support, $1.5 million in capital, and $149,000 for policy). Additional foundation and government grants have been secured.

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Foundations	The private sector supports the development of "model" child care centers	The Miriam and Peter Haas Fund supports the Model Centers Initiative in San Francisco, CA. The fund provides large grants to selected centers for five years.	Funds are used for staff development, salary enhancement, equipment and supplies, and staff to provide comprehensive services.	Annual grants to the centers range from $100,000 to $500,000.
	Foundation initiates community endowment fund	The Dekko Foundation is working with community foundations to establish child care endowment funds in six Indiana counties.	Interest income from the endowments has primarily been used for provider bonuses (when they achieve a professional credential or degree), health benefits, and accreditation fees.	The endowment funds currently vary in size, from $80,000 to $300,000. (This represents principal raised over a 2-year period.) 4% of the market value of the fund is spent each year.
	Foundation initiates community endowment fund	The Marin Community Foundation established an endowment fund to provide financial assistance to low- and moderate-income families.	The fund is used to support child care scholarships to families who use licensed child care centers or family child care homes.	Currently, the value of the fund stands at $8 million, and generates about $400,000 annually.
State Government and the Private Sector	Establish a public-private partnership to help families pay for child care	The Florida Child Care Partnership Act created a public-private partnership, run by a nine-member private sector board, to offer matching grants to businesses that employ low-wage workers and make funds available to help those employees pay for child care.	The initiative supports child care subsidies for working families with low incomes.	In 1999, $20 million was available for the fund — $10 million from the State and the balance from private sector partners.

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State Government and Employers	Establish a public-private partnership to improve the quality of child care	New Jersey launched an Accreditation Facilitation Project jointly funded by the public and private sectors.	Assistance to 130 child care programs in pursuing accreditation. Funds may be used for technical assistance, enhancement grants, and staff development scholarships. Accredited programs will be eligible for a higher public reimbursement rate.	$1.5 million was committed for a two-year period beginning in March 2000.
	Establish a public-private partnership to provide partial wage replacement for family leave	New Jersey requires all employers to have Temporary Disability Insurance (TDI) and has several ways that employers can provide this coverage, including a State plan. By Federal law, all TDI plans must cover "pregnancy-related disability," that is, partial wage replacement for mothers who are unable to work due to pregnancy and birth. At least five other states/territories have TDI programs: RI and CA (funded by employees only) NY, HI and PR (jointly funded by employee and employer)	New Jersey TDI benefits are equal to two-thirds of a worker's weekly wages, up to a maximum of $401 per week, for up to 26 weeks, although pregnancy-related claims do not typically reach this maximum. (In 1998, the average duration for New Jersey pregnancy-related claims was approximately 81 days.)	The New Jersey State plan levies a tax on employers and employees of 0.5 percent of the first $21,200 of wages (i.e., the employer and employee each pay $106 per year). The potential benefit is $10,426 per employee.
State Government, Local Government, and the Private Sector	Establish linked State-level and community-based partnerships to plan and oversee a range of early childhood services	North Carolina Smart Start funds are awarded to private, nonprofit, county partnership boards to plan, govern and coordinate local programs. A State-level board, the North Carolina Partnership for Children, establishes goals and outcomes, offers technical assistance, raises private sector funds, and oversees the initiative.	Early childhood care and education, immunizations and children's health services, and family support services for children of low- and moderate income families.	In SFY 1998-99 the State appropriated $220 million. An additional $19 million was raised in private sector matching funds in 1999.

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Local Government and the Private Sector	Establish a public-private partnership to focus on improving the quality of child care	Educare Colorado provides a range of services to assist local communities to improve the quality of child care, to increase public awareness about the importance of high-quality early learning, and to increase public support and funding for early care and education.	Developed and implemented a rating tool to assess program quality. Provide technical assistance, equipment, training and quality improvement grants with a focus on improved teacher education, compensation, and retention. Advocate for improved public policies and funding for early care and education. Will soon launch a public education campaign.	By the end of 1999, $10 million had been committed from private sector and local government. (Goal is to raise $40 million.)
	Establish a public-private partnership to promote broad commitment and collective responsibility for quality early care and education	The Rochester/Monroe County Early Childhood Development Initiative (ECDI) is a group of early care and education funders that meets eight to 10 times a year to plan, advance, and monitor the community's early childhood priorities.	The group works as a whole and in subcommittees to develop solutions, which may include strategies relating to individual funders or collaborative approaches to financing, implementing, evaluating, and monitoring early care and education services.	ECDI is not a funding or fundraising entity. Each member funds programs individually, although decisions are often made in consultation with the group as a whole. In FY2000 ECDI members collectively contributed $40 million to early care and education in Monroe County.
State and Local Government, the Private Sector, and Individual Child Care Businesses and Practitioners	Establish a public-private partnership to focus on improving the quality of child care	The Chicago Accreditation Partnership is funded by a group of foundations and businesses as well as the City of Chicago.	Assistance to 400 child care programs in Chicago in pursuing accreditation. Funds may be used for technical assistance, enhancement grants, facility improvements, and staff development scholarships.	$16 million over five years was committed for the Chicago Accreditation Project.
	Establish a public-private partnership to improve the qualifications of early care and education practitioners	North Carolina's TEACH (Teacher Education and Compensation Helps) Early Childhood Initiative provides educational scholarships for child care teachers, center directors, and family child care providers Statewide.	TEACH provides funds for tuition and books, travel stipends, wage increases upon completion of courses or credential, and support to child care program sponsors who provide leave time for staff to attend classes.	$2.2 million in FY1999-2000.

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State Financing Strategies as Grants	State issues general obligation bonds to raise funds for capital construction	Minnesota uses funds from general obligation bonds to support capital costs in early childhood facilities.	Grants to schools or cities for construction or renovation of early childhood learning facilities.	Approximately $2 million from the annual Minnesota bond issuance is allocated for child care.
	State allocates a portion of general revenues to support construction of child care facilities	The New York State Dormitory Authority currently administers a child care facilities initiative using general funds. In prior years, New York has supported capital construction with funds from several different agencies, including the Office of Children and Family Services and the Department of Economic Development (including funding available under the Regional Economic Development Partnership Program).	Current initiative is focused on construction and renovation of child care facilities, with grants up to $1 million per project for new construction. (In prior years, predevelopment planning grants of up to $75,000 per project were made available.)	A total of $30 million was made available in FY 2000 and 2001.
State Financing Strategies as Loans	Tax exempt bonds used to raise funds for capital construction; State allocates funds each year to repay debt	Connecticut makes long-term, low-interest loans for the construction or renovation of child care centers available as tax-exempt bond funding from the Connecticut Health and Educational Facilities Authority (CHEFA). The State, through the Department of Social Services, pays up to 85% of the debt service on the bonds on behalf of eligible nonprofit child care centers.	Construction or renovation of facilities that house selected nonprofit child care centers. Loans typically are in excess of $500,000 and may amortize up to 30 years.	The first two bond issuances leveraged more than $29 million (to fund 19 facilities). The third bond issuance leveraged almost $18 million (for 10 facilities). The State spends $2.5 million each year to support debt service.
	State loan guarantee program	Maryland guarantees up to 80% of a loan made to a child care program. Interest rates are usually two points above the prime lending rate.	Guaranteed loans may cover the cost of construction, renovation, equipment, supplies, and working capital. Loans as small as $15,000 and as large as $1.6 million have been guaranteed.	Maryland is currently able to guarantee loans that total up to $6.2 million (which is three times the fund balance).

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State Financing Strategies that Combine Grants and Loans	State funding initially used as loans, but loans convert to grants if program improves quality	Florida Child Care Financial Assistance Program used Federal and State CCDF funds to support small loans for child care program improvements. If program became accredited (or family child care provider became licensed) 95% of principal was refunded.	Loans of up to $10,000 were available at 2% interest for 24-36 month term. Funds could be used for renovation, equipment purchase, or other adaptations necessary to improve quality.	$400,000 in FY1998 and $500,000 in FY1999.
Commercial Lender Public Private Sector Partnerships	Tax exempt bonds	The Illinois Facilities Fund (IFF) borrowed funds through tax-exempt bonds. The bonds were purchased by private investors and secured by an equity contribution from the IFF and a commitment by the Illinois Dept of Children and Family Services to repay the debt over 10 years.	Design and construction of five new child care facilities and renovation of two existing child care facilities. IFF owns the buildings and leases them for $1 per year. Ownership will revert to the child care centers when the mortgages are repaid.	The IFF bond issuance was for $13 million. Each year the Illinois legislature allocates approximately $1.5 million to repay the debt.
	Funds pooled from public and private sources finance a child care loan fund	The Massachusetts Child Care Capital Investment Fund makes loans and provides technical assistance, serving as an intermediary between child care providers and financing entities.	Child care providers (centers, family child care systems, school-age child care, or Head Start) can apply to the loan fund for any capital project that expands or improves their physical space or for equipment that improves program quality.	In 1999, the fund raised $1 million for its loan capital pool from four banks. The fund is currently in the process of negotiating $5 million in additional funds from insurance companies.
	Linked deposits (i.e., funds are deposited in a conventional lending institution based on an agreement that the bank will loan funds at a reduced rate to a specific borrower.)	The Ohio Community Development Financing Fund (CDFF) has used this strategy to lower the cost of loans made to nonprofit borrowers, including child care and Head Start centers. (Note: linked deposits are one of many financing strategies used by CDFF).	Linked deposits currently are used to support short-term construction loans. Once construction is complete, the construction loan is converted to a mortgage.	The legislature made a one-time allocation of $3 million to CDFF. An additional $3 million has been generated by sale of the revenue and recapitalization of those funds. The first $3 million funded 13 centers and enabled an additional $1.8 million to be recaptured. This $4.8 million leveraged an additional $11.5 million, for a total of $17.3 million.

Child Care Financing Matrix

Compiled by Louise Stoney, Alliance for Early Childhood Finance and Karen Edwards, Policy Research Services

New Public Revenue	How it Works	Examples	Potential Uses	Dollars Generated
Commercial Lender Public Private Sector Partnerships	Community development financial institutions help to administer and generate funds for child care loans	The North Carolina Center for Community Self-Help utilizes deposits to the Self-Help Credit Union, grants from foundations and individuals, and government and program-related investment to finance loans to child care programs.	Self-Help makes low-interest loans to current and potential child care providers and also provides technical assistance on a range of fiscal issues, including preparing a budget, packaging loans from multiple sources, or preparing a business plan.	To date, Self-Help has made more than $10 million in loans to child care programs. A new Child Care Certificate of Deposit (minimum of $1,000 for 12 months) enables depositors to directly support child care lending.
	City funds an intermediary organization to administer grants and loans to child care providers	The San Francisco Child Care Facilities Fund (CCFF) in California currently uses public and private funds to administer loans and grants to child care centers and family child care homes, as well as to provide technical assistance and training on facilities development and business management.	CCFF makes capital and predevelopment grants, zero interest mini-loans for planning, short-term direct loans, long-term subsidized loans, and facilitates access to conventional loans. Additionally, CCFF makes recoverable grants to family child care providers and emergency grants of up to $10,000 to cover the cost of immediate repairs needed to avert closing a child care center.	In 1997, the fund was "seeded" with $200 from the city and $700,000 from two private sector partners. Since then, CCFF has raised nearly $5 million from public and private sources. Additionally, city funds are used to subsidize 80% of some child care construction loans.
	A local consortium of public and private sector funders supports the construction of a child care facility	The Kennebec Valley Community Action Program in rural Maine has used a variety of strategies to leverage capital funds from employers, local banks, the State Department of Community and Economic Development, school districts, local foundations, and Head Start.	KVCAP's Child and Family Services Division sponsors Head Start, child care, early intervention, and family support services for children from birth to 5 years of age.	Each project is funded differently. Projects range from $50,000 to $1.45 million.

This Child Care Financing Matrix is available on the Web at: http://nccic.org/pubs/ccfinancingmatrix.html.

Sources: Mitchell, A., Stoney, L., and Dichter, H. *Financing Child Care in the United States: An Expanded Catalog of Current Strategies, 2001 Edition,* sponsored by The Ewing Marion Kauffman Foundation; Mitchell, A., Stoney, L., and Dichter, H. *Financing Child Care in the United States: An Illustrative Catalog of Current Strategies, 1997 Edition*, published by The Ewing Marion Kauffman Foundation; Schumacher, R., Greenberg, M. and Duffy, J. *The Impact of TANF Funding on State Child Care Subsidy Programs* (August 2001), Center for Law and Social Policy.